

“Dynamics of the Global Poultry Market”

Eric Joiner

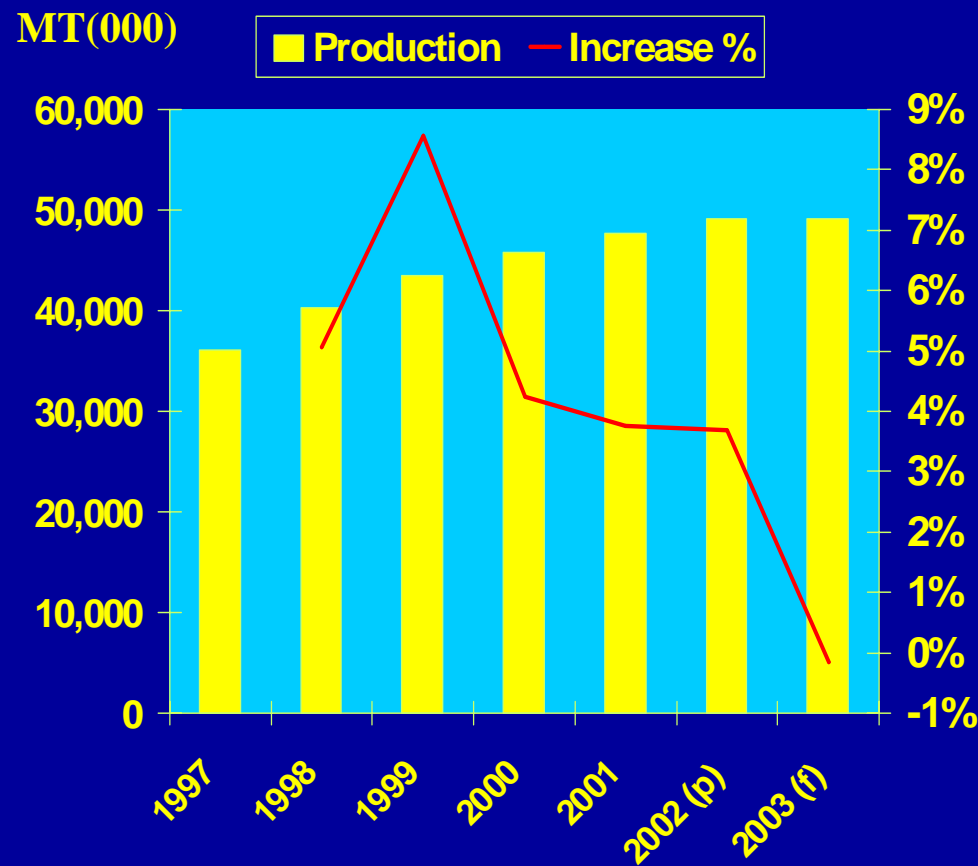
President, AJC International, Inc.

3 Factors effecting the USA Broiler Industry

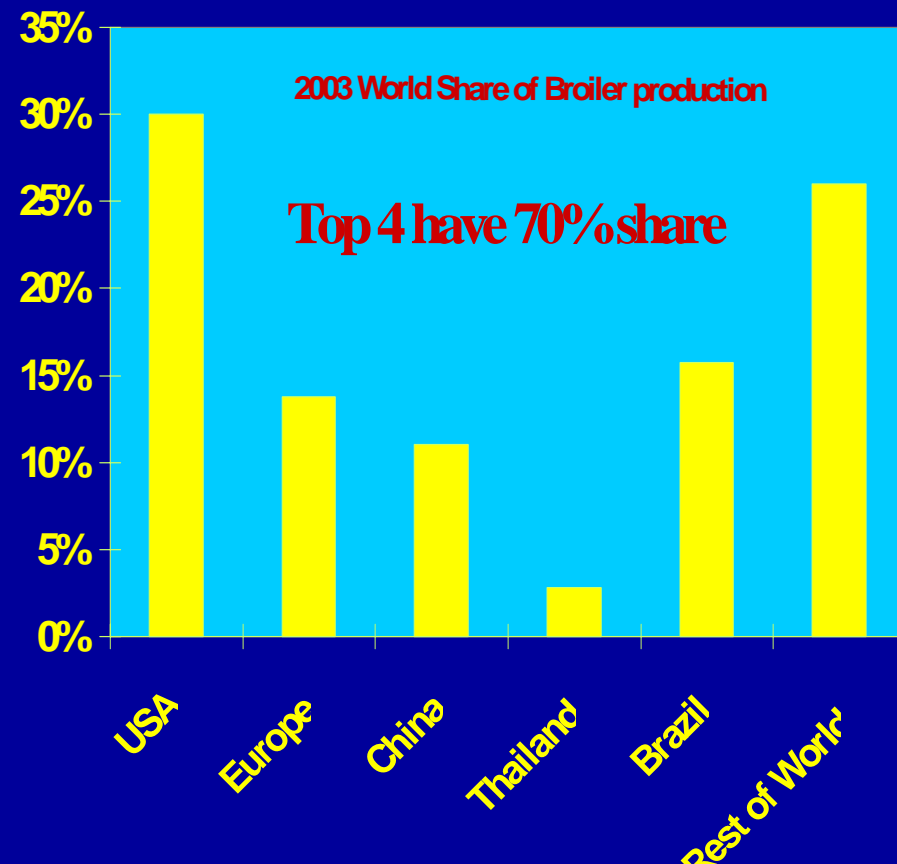
- **USA is producing too much Commodity dark meat**
- **Brazil is taking export market share**
- **USA is losing access to markets**

World Broiler Production

Leveling off



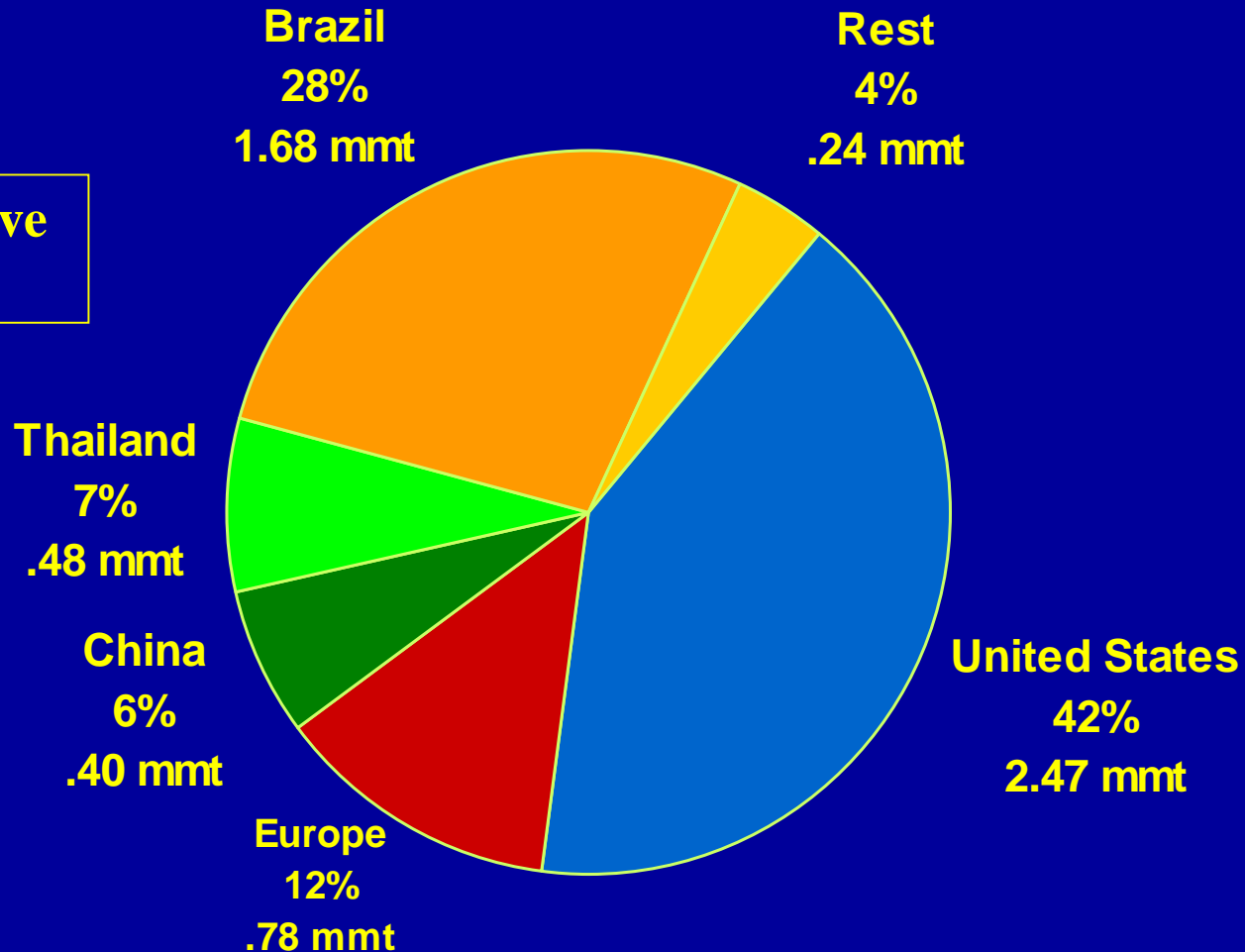
But dominated by 4 Players



USA & Brazil dominate Exports

Year 2003 Forecast World Share of Exports

**USA/Brazil have
70% share**



Key Competitive Factors

(Broiler production cost US Cents/ Lb.)

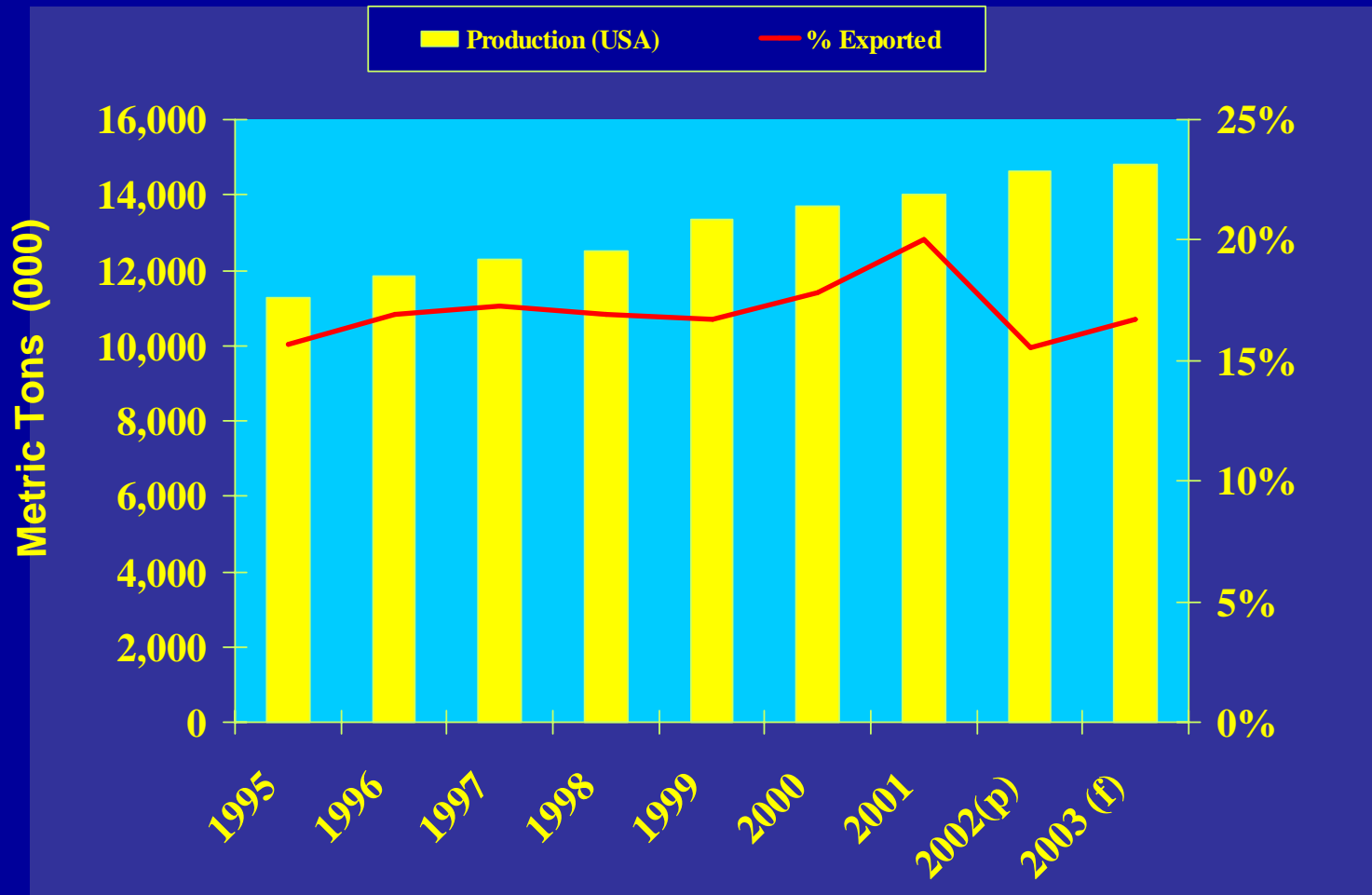
	Plant Labor Cents / Lb	Feed Cents/ Lb	Total RTC cost/ Lb
USA	.08	.13	.44
Brazil	.03	.11	.30
Europe	.10	.17	.54
Thailand	.04	.15	.43

Actual Price Comparisons

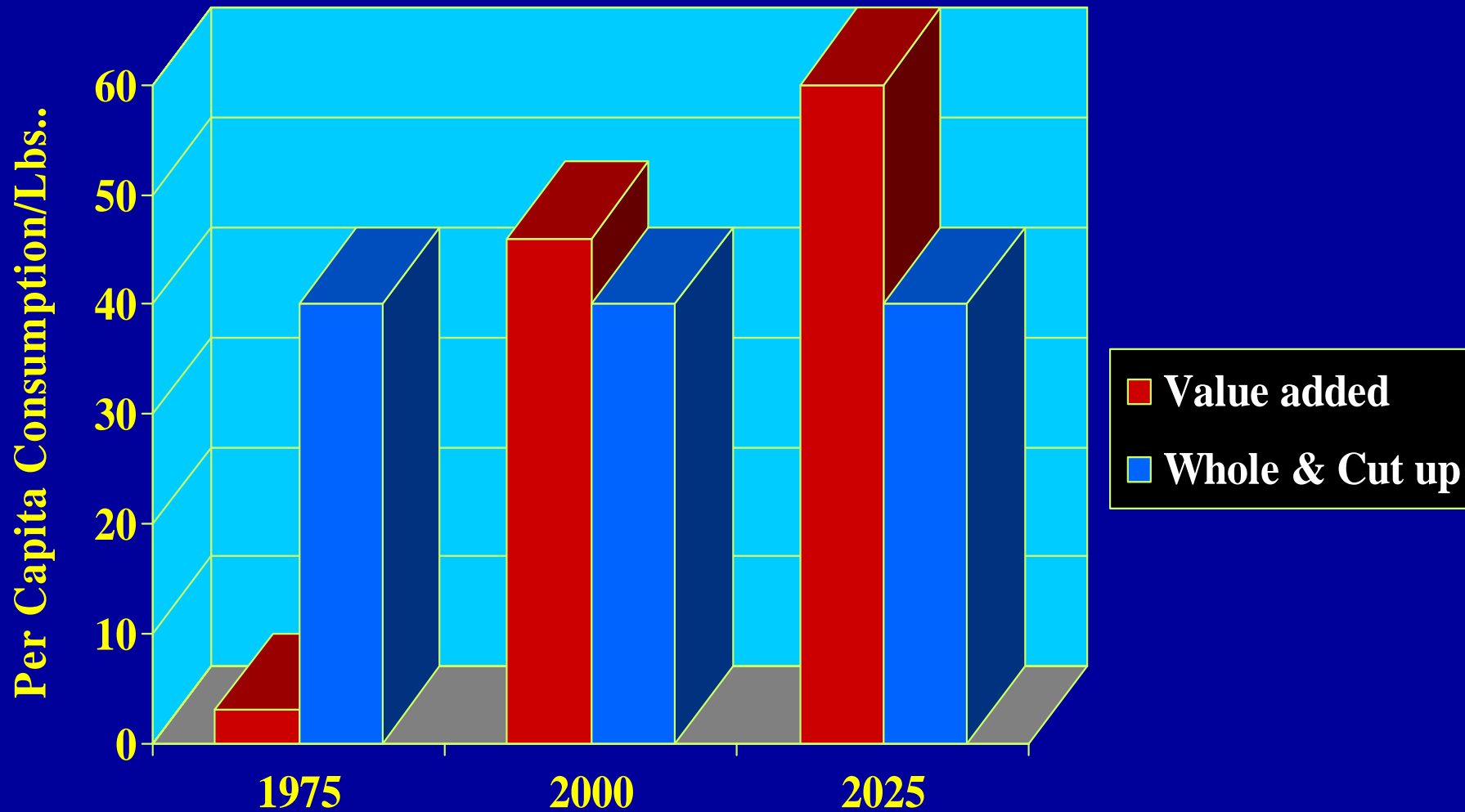
week 02/17/03 US cents/ lb FOB origin port

Product/ Country	USA	Brazil	Europe	China	Thailand
Bls Skless Breast Meat	1.40	.55/.90	1.50	.43	.80
Grade A Broilers	.55	.285 (sized)	.54 (.34 w/rst)	.45	.54
Chicken Leg Quarters	.20	.25	.28	.29	.29
3 Jt Wings, 80 grams	.45	.27	.30	.63	.66

USA Broiler production: even at 2% growth – it's too much dark meat



USA Broiler Market Segments



USA Chicken - Market Trends

Billions of Head

	Fast Food	Deboned	The Rest	Total
1980	0.6	0.4	3.2	4.2
1985	0.8	1.0	2.6	4.4
1990	1.3	1.7	3.1	6.1
1995	1.5	2.3	3.2	7.0
2000	1.7	3.3	3.4	8.4
2025	2.0	5.5	3.5	11

**This means industry has to
move over 6 billion BIG
chicken leg quarters
domestically or in the
export market in year 2003**

USA Chicken Leg Quarters

It's a commodity

- Represents over 1 million metric tons of our exports
- Appeals to emerging market's need for cheap protein
- Bulk packed and cheap
- Primary consumer appeal is price
- Product and market eventually evolves
- USA gets out priced for more sophisticated product, i.e. Japan Leg meat



Quito
ECU.

PERU
Lima

La Paz
BOLIVIA
Sucre

CHILE

PAR.
Asunción

ARGENTINA

GUY.
Paramaribo
FR. GUI.
SUR. GUI.

Manaus

BRAZIL

Belém

São Luís

Brasília

Goiânia

Campo Grande

São Paulo

Santos

Curitiba

Florianópolis

Caxias do Sul

Porto Alegre

Belo Horizonte

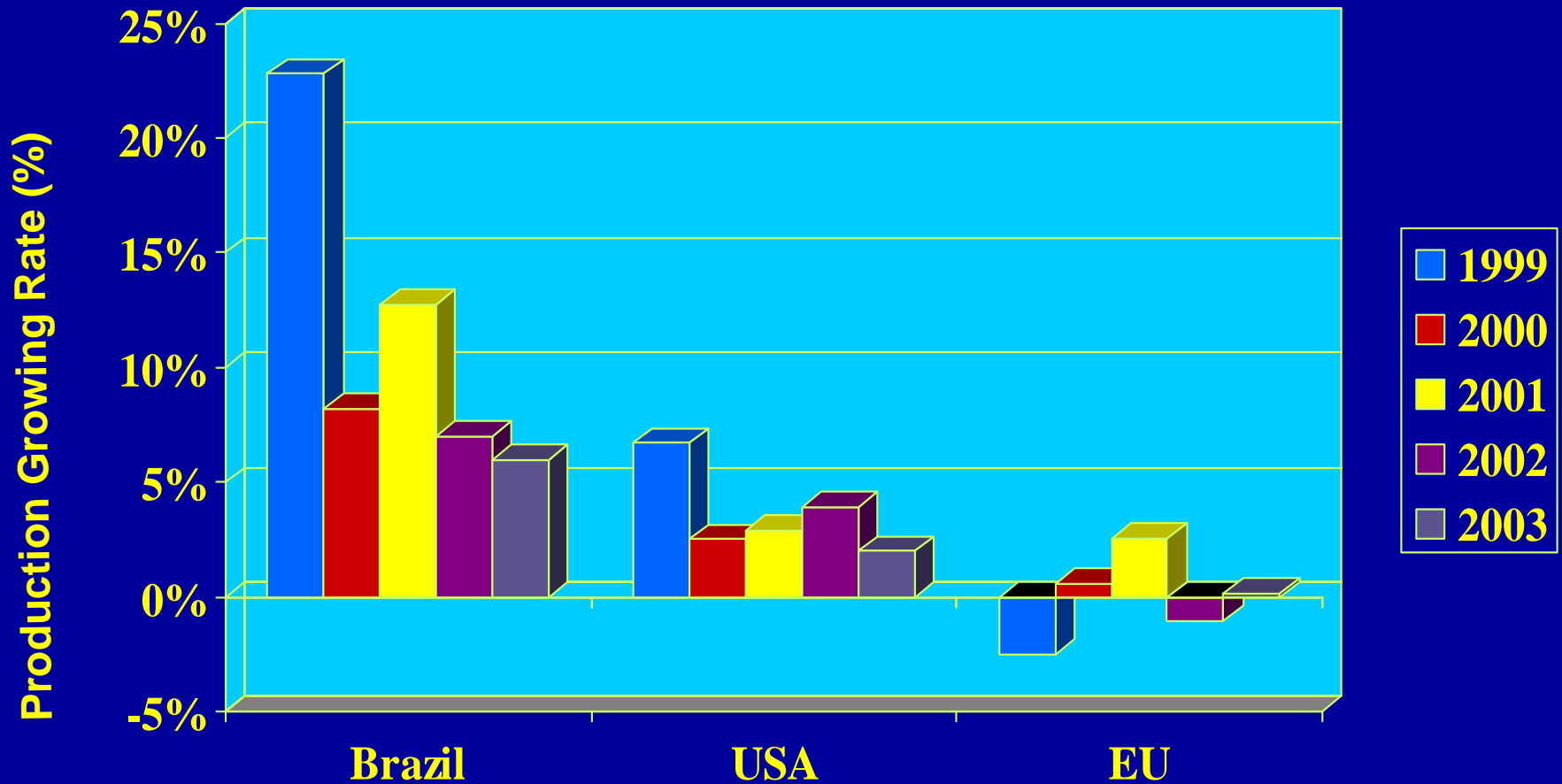
Juiz de Fora

Campo Mourão

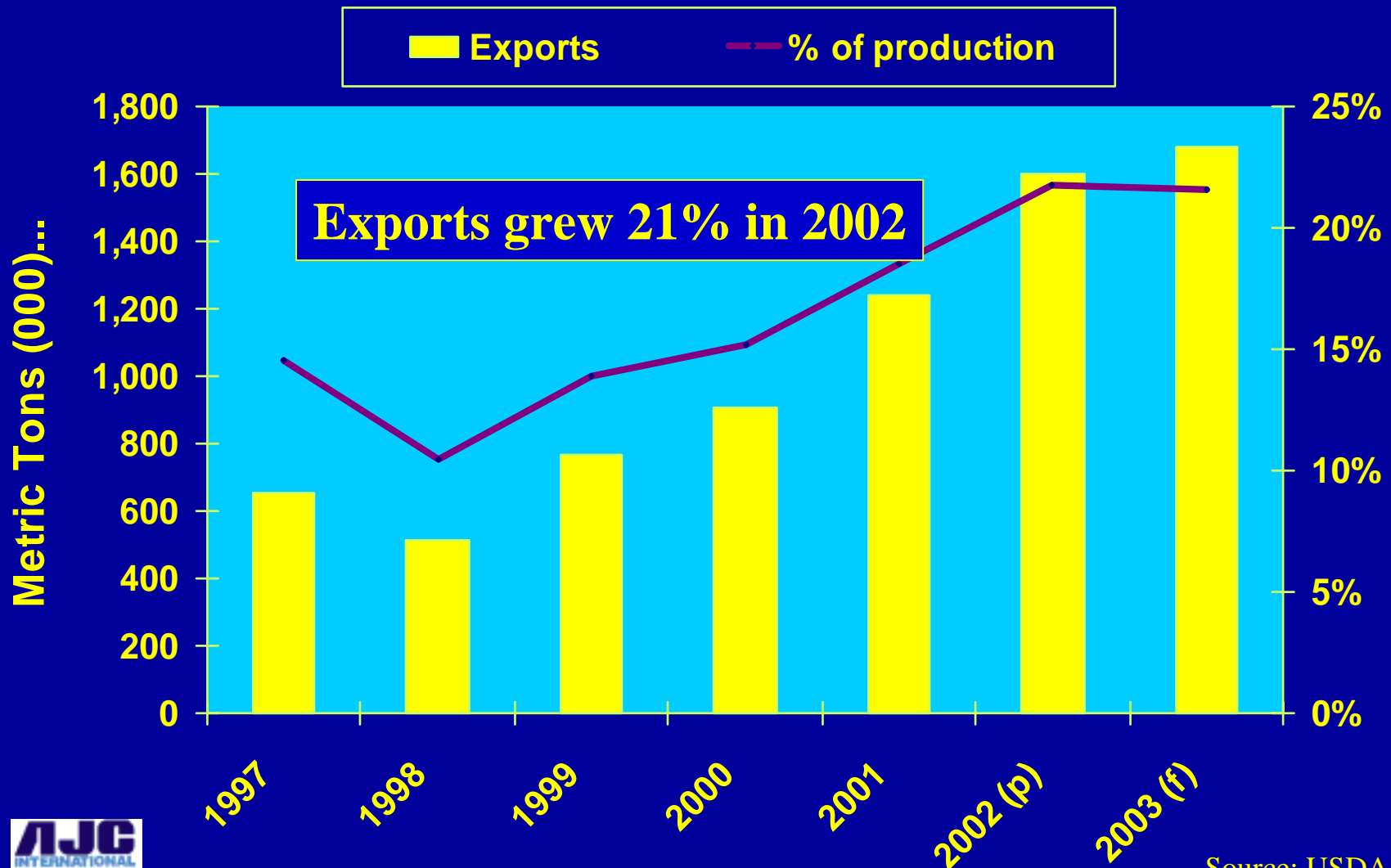
Rio de Janeiro

0 250

Brazil is blowing the doors off production !

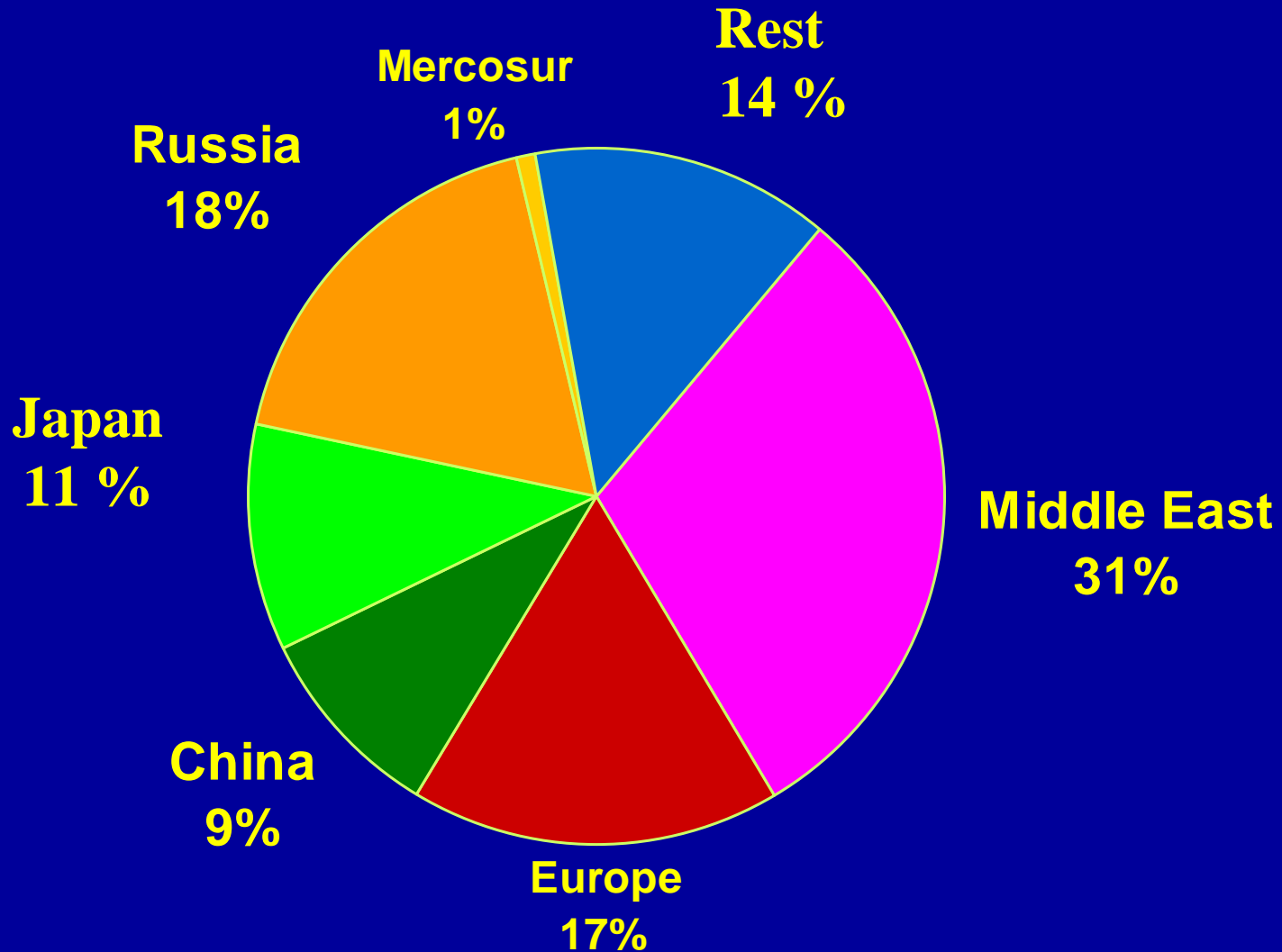


Brazil's Exports are growing rapidly

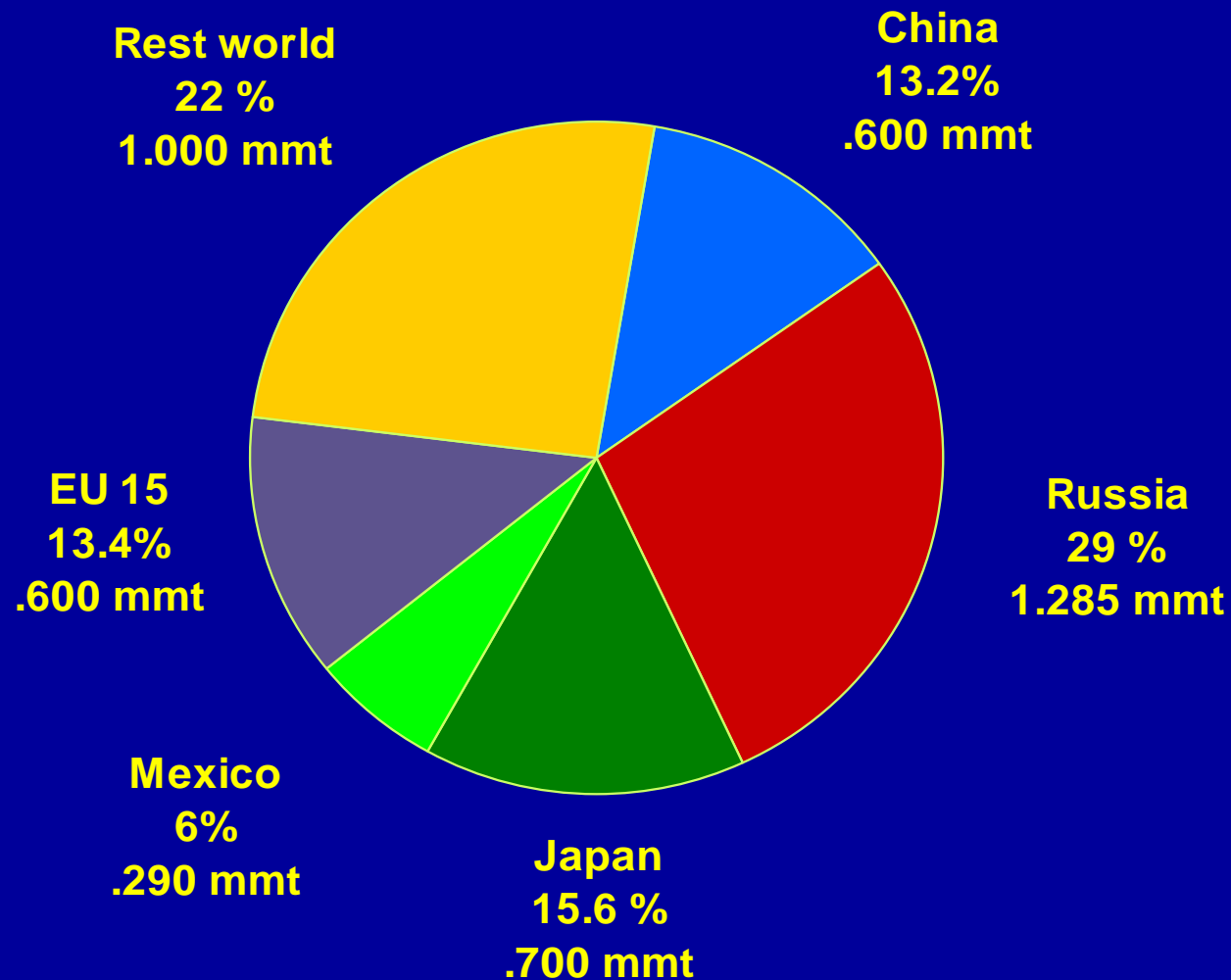


Brazil's Major Markets

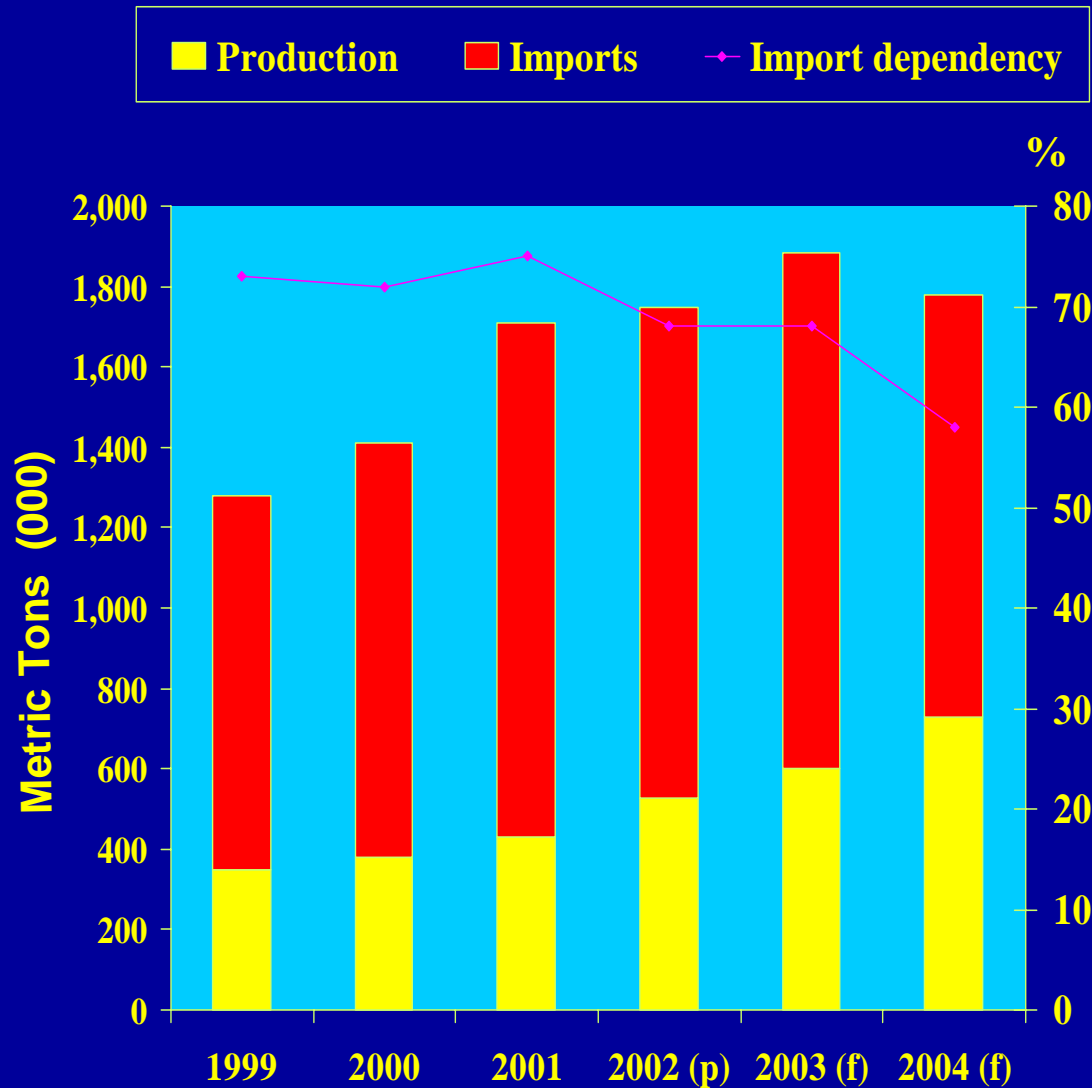
CY 2002



2003 Forecast World Broiler Import Demand

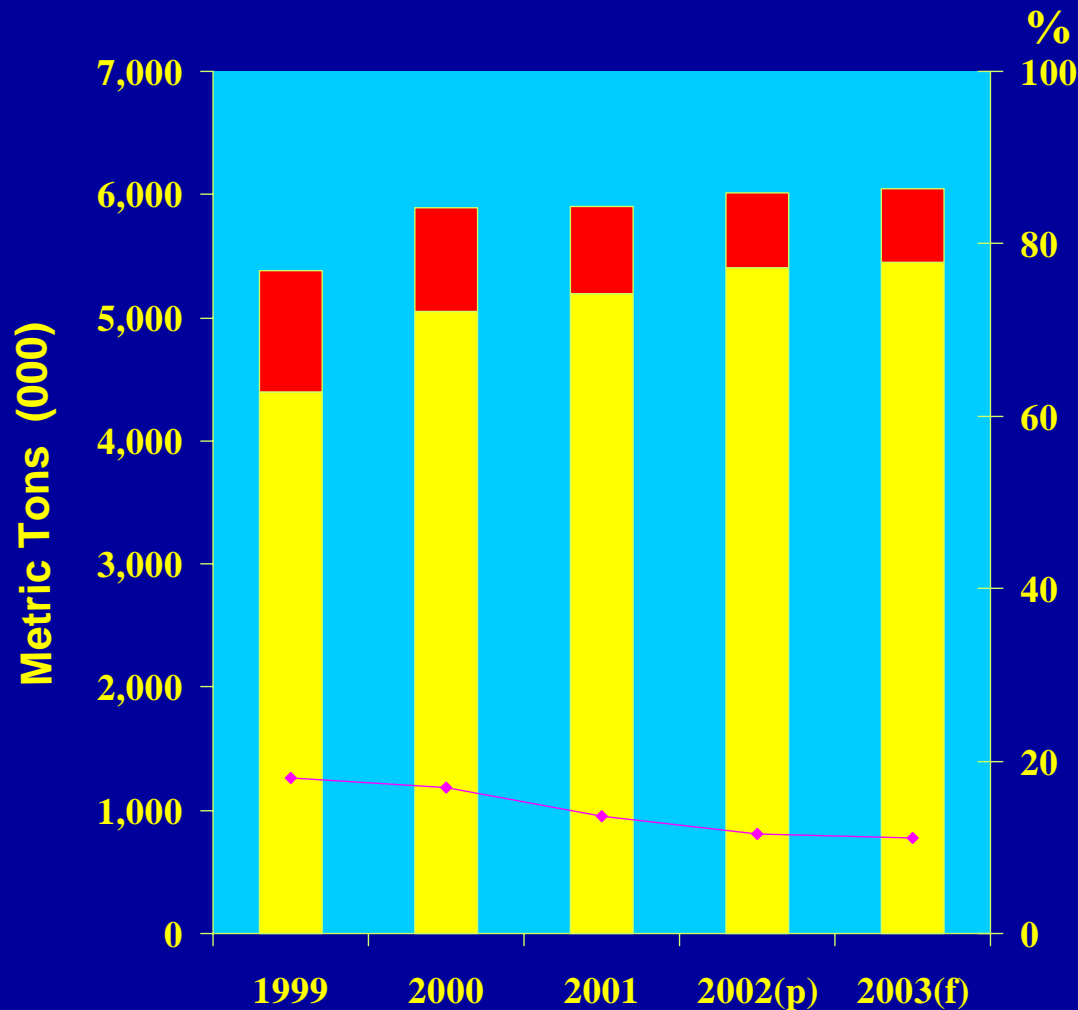


Russia



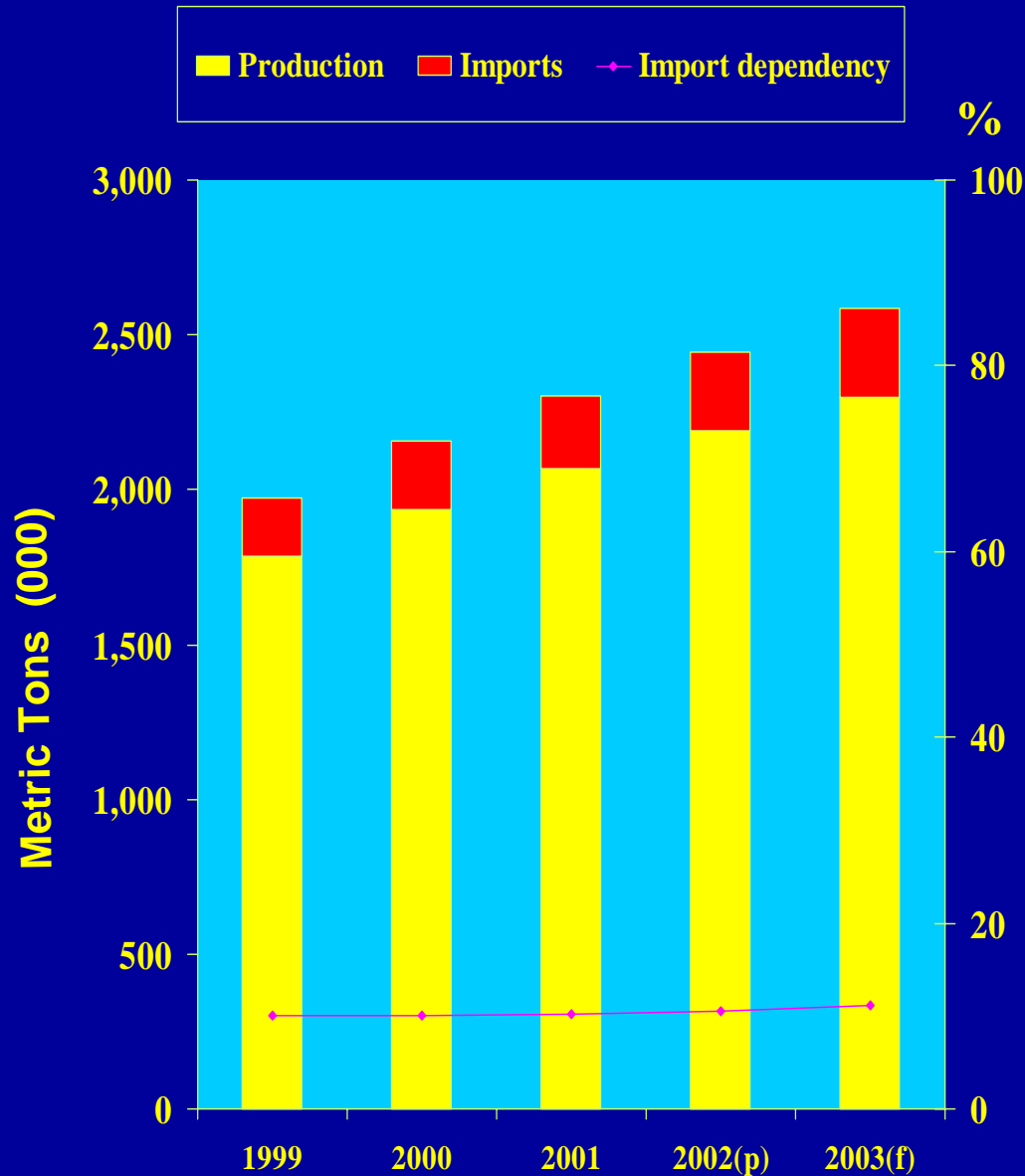
- Import quota May 1
- Plant certification deadline June 1
- Import dependency 68%
- Production growing at 15% + year
- USA considering Safeguard action

China



- Production growing @ 1%
- Exports growing slowly
- Imports not growing
- Import dependency falling to 11%
- Importing more difficult after WTO
- Will be self sufficient over time except for paws

Mexico



- Mexico growing production @ 5 %
- Imports growing @ 13%
- Import dependency around 10%
- Safeguard action avoided
- Taking a hard line on AI, Listeria, etc.

We talked about 3 key issues

- **Too much dark meat**
- **Brazilian competition**
- **Market access**

We Must Take These Issues Seriously

- **The export market cannot absorb more Commodity leg quarters without help**
- **The Russians will limit poultry imports.**
- **Brazil needs to grow poultry exports**
- **Food safety issues have become non tariff barriers**
- **The USA is fighting multiple market access issues at the same time.**

What can we do about it ?

- **Cut Broiler production**
- **Develop more dark meat products for domestic market**
- **Open new markets like Cuba**
- **Take food safety issues seriously**
- **Take Safeguard action against Russia**
- **Support government backed financing and credit insurance for emerging markets.**
- **Fund aggressive industry fight for market access & political support.**



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